
Development Plan

For

MAIN & CLAY RESIDENTIAL / RETAIL

Louisville/Jefferson County Metro Government

February 2015

Development Plan
MAIN & CLAY Residential / Retail Development Area

1. Introduction.

1.1. Purpose. The Louisville/Jefferson County Metro Government (“Louisville”) intends to establish the **MAIN & CLAY Residential / Retail Development Area** (the “Development Area”) pursuant to the provisions of KRS 65.7041 to 65.7083, as the same may be amended (collectively, the “Act”), to encourage the development of a new project consisting of multifamily residential and retail uses, being undertaken by Bristol Main & Clay Partners, LLC, a limited liability company (the “Developer”), to be located at and adjacent to 637 E. Main Street, Louisville, Kentucky. The Developer proposes to construct a new 263± Unit Multifamily Residential Community, a minimum of 2,400 square feet of Retail space, and a new 375± space Parking Structure along with the Rehabilitation, Renovation, or Partial Use of four contributing historic structures (the “Project”). Louisville proposes to support the Project and provide redevelopment assistance through a pledge of a portion of the incremental increase in real property taxes generated within the Development Area as a result of the Project.

This Project will provide unique support to the east Downtown Neighborhoods more commonly known as Butchertown and NuLu. The new Multifamily Residential Community will serve as a residential anchor for the Main Street gateway to Butchertown and NuLu. Included in the Project will be well-appointed and equipped amenity spaces, including a fitness center, pet spa, lounge / café, outdoor kitchens, outdoor gathering spaces, club room, and pool. It will provide a unique urban living environment targeting young, well-educated millennials. This group is highly sought by

employers and providing attractive urban living opportunities for them is an important key in attracting them to cities. The Project will also appeal to those of other generations specifically seeking an urban lifestyle.

It has been shown that increases in the urban residential base provide the support necessary to sustain urban life. Areas with a concentration of urban residents become true communities, and serve as a draw for the development of restaurant, shopping and entertainment venues. This Project will support the City's goal of bringing high quality residential opportunities to urban Louisville. By providing an attractive, exciting place to live, the Project will reinforce the ability of private and public employers to recruit young professional and creative people to Louisville in general and to Louisville's Central Business District in particular. Many of Louisville's peer cities are experiencing substantial growth in downtown housing and employment as a result of the creation of urban living spaces. Memphis, Nashville, Indianapolis, Charlotte, and Raleigh all serve as examples of this evolution. Downtown Louisville has the employment base and a growing restaurant and retail base to support urban living. Currently missing is a critical mass of urban living spaces, particularly upscale rental communities. This Project will serve as a catalyst for more urban residential development.

Young millennials are particularly attracted to living environments that are well connected to active walkable amenities, particularly urban streets with restaurant, entertainment and shopping opportunities. Not only will the Project provide a connection to existing shops and restaurants in NuLu, but it will serve as the catalyst for expansion of retail uses to East Main Street. The Project will begin with a minimum of 2,400 square

feet of retail space at the corner of Main & Clay. The entire first floor along the length of East Main Street is designed with 15' ceilings to accommodate increases in demand for additional retail uses.

A sense of community within their living environment is one of the prime characteristics desired by urban residents. The Project is being designed with multiple indoor and outdoor gathering spaces to facilitate building this sense of community. The Project will reinforce the design intent by providing regular planned opportunities for residents to come together, both in-house as well as gatherings in nearby restaurant and entertainment venues.

1.2 Size and Location. The Development Area is an approximate 1.5 acre area in Louisville's downtown identified more specifically on the map attached as Exhibit "A". This location, on the edge of the Butchertown and NuLu neighborhoods and bordering the I-65 expressway, is perfectly situated for development of the Project, which will become the anchor and development catalyst for continued high quality growth and development in Butchertown and NuLu.

2. The Development Area

2.1. Assurances Regarding the Size and Taxable Assessed Value of the Development Area and Other Matters. Louisville finds in accordance with the Act that:

(a) The Development Area is a contiguous area consisting of approximately 1.5 acres, which is less than three square miles in area;

(b) The establishment of the Development Area will not cause the assessed taxable value of real property within the Development Area and within all “development areas” and “local development areas” established by Louisville (as those terms are defined in the Act) to exceed twenty percent (20%) of the total assessed taxable value of real property within Louisville. To date, Louisville has established several other development areas with a combined taxable real property assessment of \$1.474 billion. The taxable real property within the Development Area for calendar year 2013 is approximately \$1,000,000, and that combined with the other development areas that have been established by Louisville totals approximately \$1.475 billion in taxable real property assessment. The total assessed value of taxable real property within Louisville for the calendar year 2013 exceeds \$51 billion, 20% of which is \$12 billion. Therefore, the assessed value of taxable real property within all development areas is significantly less than twenty percent (20%) of the assessed value of taxable real property within Louisville; and

(c) That the Development Area constitutes previously developed land as required by KRS 65.7043.

2.2. Statement of Conditions and Findings Regarding the

Development Area. Pursuant to KRS 65.7049(3), a development area shall exhibit at least two of the following conditions to qualify for designation as a “development area” under the Act.

- (a) Substantial loss of residential, commercial, or industrial activity or use;
- (b) Forty percent (40%) or more of the households are low-income households;
- (c) More than fifty percent (50%) of residential, commercial, or industrial structures are deteriorating or deteriorated;
- (d) Substantial abandonment of residential, commercial, or industrial structures;
- (e) Substantial presence of environmentally contaminated land;
- (f) Inadequate public improvements or substantial deterioration in public infrastructure; or
- (g) Any combination of factors that substantially impairs or arrests the growth and economic development of the city or county; impedes the provision of adequate housing; impedes the development of commercial or industrial property; or adversely

affects public health, safety, or general welfare due to the development area's present condition and use.

Louisville has reviewed and analyzed the conditions within the Development Area and finds that the Development Area exhibits at least five (5) of the seven (7) qualifying characteristics as follows:

(1) A substantial loss of residential, commercial, and industrial activity or use has occurred within the Development Area: The Development Area includes the former site of the John F. Trompeter Co., a wholesaler and distributor of candy, tobacco, and paper products. Substantially all of the buildings are currently unoccupied.

(2) Forty Percent (40%) or more of the households are low income. The Development Area includes one remaining residential structure with three deteriorating units, two of which are unoccupied. The remaining unit is occupied by a low income resident.

(3) More than fifty percent (50%) of the residential, commercial, or industrial structures are deteriorating or deteriorated. The census data for the site including and surrounding this Development Area demonstrate a trend of deteriorating and abandoned properties, diminishing home ownership and reducing commercial development over the last several decades. Several structures have been demolished due to deterioration. The structures remaining in the Development Area include vacant, dilapidated, and abandoned buildings. The structures constituting more

than Fifty Percent (50%) of the structures within the Development Area are deteriorating or deteriorated.

(4) There are inadequate improvements or substantial deterioration of public infrastructure to support the proposed new development within the Development Area. In order to develop the proposed Project, a parking structure is required to support the anticipated increased residential and retail demand. Additional power, sewer and water infrastructure is also required to facilitate the Project. Not only will these improvements foster this Project, but they will facilitate further development within this area. These infrastructure improvements cannot be reasonably funded with private investment alone.

(5) A combination of factors substantially impairs or arrests the growth and economic development of the city or county and impedes the development of commercial or industrial property due to the Development Area's present condition and use. Development of the Project site without assistance as provided by the Act is not feasible due to the extreme cost of providing adequate parking and related utility infrastructure to facilitate the proposed development. Potential revenue alone cannot underwrite the costs of the proposed infrastructure improvements. Without additional parking the continued development of the area will be impeded; the proposed Project is not feasible, nor is the balance of proposed retail and residential space provided by this project. There is no adequate funding mechanism to afford the utility infrastructure improvements absent the incentives provided under the Act. These improvements cannot be facilitated with private investment alone. Additionally, the aesthetic improvement resulting from the

development of the proposed Project will have a secondary positive effect on the city and surrounding area.

2.3. Assurances the Development Area Is Not Reasonably

Expected to Develop Without Public Assistance. Louisville finds that the Development Area will not reasonably be developed without public assistance, including incentives as provided by the Act. The high cost of parking, public infrastructure and site development expenses, estimated to be in excess of \$8,000,000 or approximately 17% of the total Project's cost, needed for the Project, when compared with low potential revenue generated by these improvements, make public incentives critical to the financing of the Project.

2.4. Assurances the Public Benefits of Redeveloping the

Development Area as Proposed Justify the Public Costs Proposed. Louisville finds that the public benefits of redeveloping the Development Area justify the public costs proposed. The investment in the Development Area will result in significant returns through increased property valuations for the surrounding area, facilitate secondary and tertiary re-development within the area by the enhancements to parking and utilities, and bring additional residents, shoppers and other visitors to Louisville. The Development Area has a 2013 taxable assessment of approximately \$1,000,000 and annually generates \$5,341 in real estate taxes to Louisville. The Project will increase capital investment by approximately \$48 million, which will provide significant new taxes to Louisville and the other taxing districts. Based on a financial report dated December 15, 2014, attached hereto as Exhibit "B" to the Development Plan, the direct impact of

the Project will increase employment within the Development Area by more than 30 new jobs and generate new Louisville taxes over the twenty-five (25) year life of the Development Area by more than \$4,370,000 (in addition to state taxes). Therefore, even when considering the requested incentives for the Project from Louisville, the Project will be financially beneficial to Louisville. Further, the Project will serve as a catalyst for additional development in the area surrounding the Development Area.

In addition to the direct tax impact of the Project, the Project will provide unique and unavailable residential offerings and support to the Butchertown neighborhood.

2.5. Assurances Regarding the Area Immediately Surrounding the Development Area. Pursuant to the Act, the establishment of a development area requires a finding that the area immediately surrounding the Development Area has not been subject to growth and development through investment by private enterprise or, if the area immediately surrounding the Development Area has been subject to growth and development through investment by private enterprise, that there are certain special circumstances within the Development Area that would prevent its development without public assistance. These special circumstances include the restricted economic feasibility for development of structured parking and utility infrastructure within the Development Area. The proposed improvements within the Development Area will have a positive effect on the surrounding area, which faces stagnation in development without them. Additional parking and utility services will increase the feasibility of developments within the area, not only within this Development Area, but also the development of the surrounding area.

The area surrounding the Development Area is at a turning point. There remains a distinct lack of residential rental units, parking, and utility infrastructure to support continued development. In the surrounding area, antiquated manufacturing facilities are being abandoned and they now offer potential for re-development. There is the potential for attractive and desirable new multi-family housing within the surrounding area. This Project, at this time, is a catalyst project that can serve as a model showing the blueprint for transitioning larger industrial and commercial uses and larger urban structures to more modest residential areas of Butchertown and create the momentum needed to completely transform this area over the coming years. Growth and expansion of the University of Louisville Medical Center, to the south of Butchertown and NuLu, as well as the University of Louisville Nucleus Center, can directly benefit from the investments in public infrastructure and structured parking provided under this project.

These investments, and others, by public institutions in the surrounding area will be positively affected by the investment in this Development Area.

2.6. Development Area Description. The Development Area includes the real property within the boundaries described on the site plan and legal description attached hereto as Exhibit “A.”

2.7. Existing Uses and Conditions. The Development Area consists of approximately 1.5 acres on the block surrounded by East Main Street, Clay Street, East Washington Street, and Hancock Street in the east downtown area of Metro Louisville. The existing site includes a number of older metal and masonry buildings used primarily for industrial and distribution uses. One of the largest buildings on the

site is vacant and was abandoned by its former tenant. There is one remaining residential structure in the entire block, which is in the middle of East Washington Street. It has been divided into three apartments, which are leased month to month. There are three designated contributing structures and one additional building identified which is a potentially contributing structure. One of the contributing structures is the house on East Washington Street. The other three are all used for industrial or distribution purposes and have been significantly modified over time. The site includes 15 separate tax parcels that will be consolidated into a single parcel at closing of the land purchase by the Developer.

2.8. Changes in the Zoning Ordinance, Zoning Map, Comprehensive Plan or Other Codes or Plans Necessary to Implement the Development Plan. The site is currently zoned EZ-1. No change is needed in zoning to implement the Development Plan.

2.9. Certification of Compliance with the Comprehensive Land-Use Plan. The Project complies with the Comprehensive Land-Use Plan for Louisville.

3. The Development Program.

This Development will be the first urban-style multifamily rental community of its type to be developed in Louisville's Central Business District. Designed to appeal to young professionals and creative types of the millennial generation, it will provide an attractive living environment for this group of individuals who are so highly sought after by employers and create the necessary and critical support for a vibrant urban life. Additionally, it will appeal to affluent empty nesters and others who specifically seek the

lifestyle offered by a high quality urban living environment.

Bristol Development Group, LLC, the Developer, has developed more than 7,400 units of multifamily housing in 31 developments in 18 different municipalities. It has developed a niche in creating one of a kind urban residential communities. A significant majority of Bristol's developments since 2004 have been urban-style communities such as that proposed for the Development Area. This type of development is well suited for the Butchertown and NuLu site and coordinates perfectly with the other elements of the Development Program discussed.

The Project Program includes the following constituent components for development:

- ✓ 263± unit Multifamily Rental Community
- ✓ 2,400± SF Retail Space at the corner of East Main St and Clay St, with the ability to add to the Retail Space as demand grows
- ✓ 375± space Parking Structure that will support all of the parking needs of the Multifamily Rental Community and the Retail Space
- ✓ Various Site and Utility Infrastructure Improvements.

The Proposed Project Construction Costs breakdown as follows, with those to be supported by Incremental Revenues as noted:

- Multifamily Rental Community: \$25,800,000±
 - PRIVATE FUNDING
- Retail Space: \$ 480,000±

- PRIVATE FUNDING
- Parking Structure: \$6,360,000±
 - TO BE SUPPORTED BY INCREMENTAL FINANCING
- Site Infrastructure: \$2,570,000±
 - TO BE SUPPORTED BY INCREMENTAL FINANCING

4. Redevelopment Assistance and Finance Plan.

Louisville proposes to provide redevelopment assistance and pay for Project costs through a pledge of a portion of the incremental increases in tax revenues from real property taxes from the Development Area. Louisville proposes to pay annually to the Agency, the Released Amount which shall be calculated as provided in the Local Participation Agreement, not to exceed a sum equal to 100% of the Real Estate Tax Increment in excess of the taxes otherwise due on the first \$5,000,000 of the valuation of the Project, subject to the following condition: in no event shall the total of the Released Amount paid to the Agency over the term of the Local Participation Agreement exceed \$4,464,926 as set forth in the Local Participation Agreement.

Louisville will establish a special fund for the deposit of pledged incremental revenues as required by KRS 65.7061. Pledged incremental revenues deposited into this special fund will be used solely to reimburse the Developer for redevelopment assistance or pay for project costs in compliance with this Development Plan, the Act, and all agreements and documents entered into in connection therewith. Louisville will enact an ordinance establishing the Development Area and adopting this Development Plan. The development area ordinance will designate the Metro Development Authority, Inc. (the “Agency”), organized by the City, as the entity in

charge of overseeing, administering and implementing the terms of the development ordinance.

5. Conclusions.

In conclusion, the Project will serve as an important catalyst to the development of the Butchertown and NuLu areas, will generate significant new tax revenues to Metro Louisville, and will facilitate an increase in the availability of high quality urban living opportunities needed to support the growth and development of east Downtown Louisville. The incentives proposed to be provided under the Act are reasonable and critical to the overall financing for the Project.

List of Exhibits

Exhibit A - Map and Description of Development Area

Exhibit B – Financial Forecast from Bristol Development Group, LLC

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